

INSURANCE

Budget Summary						FTE Position Summary				
Fund	2010-11 Adjusted Base	Governor		2011-13 Change Over Base Year Doubled		2010-11	Governor		2012-13 Over 2010-11	
		2011-12	2012-13	Amount	%		2011-12	2012-13	Number	%
PR	\$16,695,500	\$16,675,800	\$16,675,800	- \$39,400	- 0.1%	131.25	130.25	130.25	- 1.00	- 0.8%
SEG	<u>87,267,700</u>	<u>87,261,500</u>	<u>87,261,500</u>	<u>- 12,400</u>	< - 0.1	<u>12.75</u>	<u>12.75</u>	<u>12.75</u>	<u>0.00</u>	0.0
TOTAL	\$103,963,200	\$103,937,300	\$103,937,300	- \$51,800	< - 0.1%	144.00	143.00	143.00	- 1.00	- 0.7%

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

PR	\$2,879,600
SEG	<u>78,400</u>
Total	\$2,958,000

Governor: Provide \$1,479,000 annually (\$1,439,800 PR and \$39,200 SEG) to adjust the agency's base budget for the following items:

(a) turnover reduction (-\$204,300 PR annually); (b) full funding of continuing salaries and fringe benefits (\$1,615,300 PR and \$37,900 SEG annually); and (c) full funding of lease and directed move costs (\$28,800 PR and \$1,300 SEG annually).

2. LAPSE OF UNENCUMBERED PROGRAM REVENUES

GPR-Earned	\$37,500,000
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Governor: Provide that at the end of each fiscal year, any unencumbered PR balance in OCI's general program operations appropriation that exceeds 10 percent of the expenditures from that appropriation would lapse to the general fund. All fees paid to OCI, such as agent licensing and appointment fees, are credited to this appropriation. This provision would take effect on the bill's general effective date.

The administration estimates that this provision would result in lapses to the general fund of \$19.0 million in 2011-12 and \$18.5 million in 2012-13, based on current program revenue projections and the total expenditures from this appropriation that would be authorized in the bill. However, the actual lapse amount would depend on revenue collections and expenditures in each state fiscal year.

[Bill Section: 493]

3. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE

PR	- \$1,220,000
SEG	- 117,600
Total	- \$1,337,600

Governor: Delete \$668,800 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The reductions would include \$610,000 PR and \$58,800 SEG. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

4. 10% ACROSS-THE-BOARD REDUCTION FOR NON-STAFF COSTS

PR	- \$1,329,800
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Governor: Reduce funding for supplies and services for the agency's program revenue-funded general program operations appropriation by \$664,900 annually. The amount of the reduction equals 10% of the base funding budgeted for supplies and services (\$5,457,000) and transfers that OCI makes to other agencies (\$1,192,400). The bill would reduce funding for non-salary and non-fringe benefit costs by 10% for most GPR and PR appropriations.

5. MEDIGAP HELPLINE

PR	- \$243,600
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Governor: Reduce funding budgeted in OCI that would be available to transfer to the Board on Aging and Long-Term Care (BOALTC) to operate the Medigap Helpline by \$121,800 annually. OCI is currently budgeted \$448,000 annually to support the Helpline. Consequently, under the bill, OCI would be budgeted \$326,000 annually to support the Helpline. The BOALTC Medigap Helpline provides insurance information to elderly individuals.

The bill would increase funding budgeted in BOALTC to support the Medigap Helpline by \$25,600 annually, supported by revenues transferred from OCI, so that a total of \$473,600 would be budgeted annually. The administration indicates that it will recommend that funding in the bill for OCI be increased by \$147,600 annually to ensure that OCI has sufficient expenditure authority to support the Governor's recommended funding level for the Medigap Helpline.

6. ELIMINATE LONG-TERM VACANCIES

	Funding	Positions
PR	- \$125,600	- 1.00

Governor: Delete \$62,800 and 1.0 position, beginning in 2011-12, to reflect the elimination of long-term vacant positions under the bill. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

7. SERVICES PROVIDED TO THE IPFCF PEER REVIEW COUNCIL

SEG	\$26,800
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Governor: Provide \$13,400 annually to fund organizational support services, such as accounting and information technology services, provided to the injured patients and families compensation fund (IPFCF) Peer Review Council by other units in OCI and by the Department of Administration. The SEG funds administered by OCI are currently charged for these services. However, the costs of organizational support services provided to the Peer Review Council are not charged to, or paid from, the Council's appropriation. This item would apply these charges to the Peer Review Council as well.

The Peer Review Council reviews provider medical malpractice claim records to determine whether a provider must pay a surcharge in addition to the basic fees for participation in the IPFCF. Operation of the Peer Review Council is funded by assessments to the IPFCF and private malpractice insurers, as described in administrative rule.

8. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS

Governor: Delete 2.0 PR classified positions and provide 2.0 PR unclassified positions under the OCI general program operations appropriation.

Under 2011 Wisconsin Act 10, 38 classified positions are transferred into the unclassified service to serve as division administrators. Act 10 also redefined "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) will be moved from classified to unclassified service within the specified agencies. The revised unclassified positions were renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions are at will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of 2010 Wisconsin Act 10 in regards to the transfer of classified positions to unclassified positions.

9. LOCAL GOVERNMENT PROPERTY INSURANCE FUND REALLOCATION

Governor: Transfer \$461,600 SEG in 2011-12 and \$497,900 SEG in 2012-13 from an appropriation that funds specified payments from the local government property insurance fund to the appropriation that funds administrative costs relating to the fund. The fund issues property insurance to local units of government, and is supported by premiums charged to participating governmental entities.

Currently, OCI funds part of the costs of contractual services, such as underwriting and valuation services, from two appropriations -- an administrative appropriation, which is budgeted

\$593,800 to support these costs, and an appropriation that funds specified payments, including payments for insurance losses. The administration estimates that the total costs of these contractual services will be \$1,055,400 in 2011-12 and \$1,091,700 in 2012-13. With this funding transfer, all contractual services costs would be expended from the fund's administrative appropriation. This item would permit OCI to comply with a 2009 Legislative Audit Bureau recommendation.

10. REPEAL REQUIRED INSURANCE COVERAGE OF CONTRACEPTIVES

Governor: Repeal provisions that require private health insurance policies and self-insured governmental health plans to provide coverage of contraceptives and related services. These provisions were enacted as part of 2009 Act 28.

The repeal of this insurance requirement would take effect on the first day of the fourth month beginning after publication of the enacted bill, and would first apply as follows:

a. To disability insurance policies that are issued or renewed, and governmental or school district self-insured health plans that are established, extended, modified, or renewed, on the effective date of the bill;

b. To disability insurance policies covering employees who are affected by a collective bargaining agreement containing provisions inconsistent with these requirements that are issued or renewed on the earlier of the following: (a) the day on which the collective bargaining agreement expires; or (b) the day on which the collective bargaining agreement is extended, modified, or renewed; and

c. To governmental or school district self-insured health plans covering employees who are affected by a collective bargaining agreement containing provisions inconsistent with those described above, that are established, extended, modified or renewed on the earlier of the following: (a) the day on which the collective bargaining agreement expires; or (b) the day on which the collective bargaining agreement is extended, modified, or renewed.

Current law requires every disability insurance policy and every self-insured health plan of the state, a county, city, town, village, or school district, that provides coverage of outpatient health care services, preventative treatments and services, or prescription drugs and devices to provide coverage for all of the following: (a) prescribed contraceptives; and (b) outpatient consultations, examinations, procedures, and medical services that are necessary to prescribe, administer, maintain, or remove a contraceptive, if covered for other drug benefits. For the purposes of this requirement, "contraceptives" are defined as drugs or devices approved by the federal Food and Drug Administration to prevent pregnancy.

A policy or plan may only subject coverage of contraceptives to the exclusions, limitations, or cost-sharing provisions that generally apply to outpatient health care services, preventative treatments, and prescription drugs or devices provided under the policy. This requirement does not apply to the following types of policies: (a) a policy that covers only certain specified diseases; (b) a policy that provides only limited-scope dental or vision benefits;

(c) a health care plan offered by a limited service health organization, or a preferred provider plan that is not a defined network plan; (d) a long-term care insurance policy; or (e) a Medicare replacement or supplement policy.

[Bill Sections: 1157, 1158, 1718, 2425, 2558, 2706, 3470, 3473, 9325(1), and 9425(1)]

11. CLOSE ENROLLMENT IN THE STATE LIFE INSURANCE FUND

Governor: Prohibit the state life insurance fund from accepting applications for life insurance coverage on or after the effective date of the bill, and specify that the fund may only issue policies on the basis of applications received before the effective date of the bill.

The fund offers life insurance policies of up to \$10,000 to any Wisconsin resident and is subject to the same regulations that apply to other life insurance policies. Currently, the fund offers two types of policies -- term insurance, which offers a benefit only upon the death of the insured, and whole life insurance, which accumulate a cash value which is returned to the insured once the policy is surrendered. The fund currently offers four different whole life policies, each with different premium payment options.

No state money supports the fund's operations or payments, and the fund's policies are not sold by commissioned agents. As of December 31, 2010, the fund had 27,421 policies for a total of \$209.8 million of insurance in force.

[Bill Sections: 3468 and 3469]